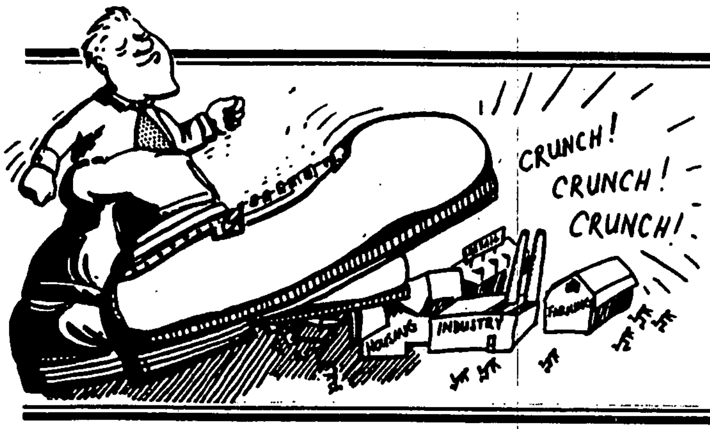

THE CLINTON
CRUNCH

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Economic Indicators Continue Downward

The Coming Recession? — Blame the President

[Summary version: for details, see RPC paper, "The Coming Clinton Recession?" of 2/29/96.]

When the Federal Reserve Board ordered a rate reduction in late January this year, it was issuing a warning: a worsening economy ahead. The Fed was acknowledging what a growing host of economic indicators have been portending for some time.

The reason for the gloomy outlook is simple: the negative impact of President Clinton's policies on the economy. The cumulative effect of **four distinct policies pursued by the Clinton Administration** over four years has been the slowing of the nation's economy to a crawl, if not an outright stall.

President Clinton's economic policies are:

- ***Increased spending;***
- ***Increased taxes;***
- ***Increased borrowing; and***
- ***Increased regulations.***

The President's refusal to sign or even propose a viable balanced budget like the one passed by Congress last year means that if the White House is the deciding factor, the future will look even bleaker than the present.

Clinton Policies Equal Falling Growth

President Clinton's policies of increased federal spending, taxes, borrowing, and regulations have pushed the country to the brink of recession. However, **the current economic slowdown is merely the first of three separate costs the U.S. economy is facing** from the Clinton Administration's policies. The two remaining costs are a **retrenchment of expectations** already "factored in" to the economy, and **foregone growth** that would result from the lack of a balanced federal budget plan. Together these three costs could add up to an insurmountable economic burden for America in coming months.

U.S. Senate Republican Policy Committee ♦ Don Nickles, Chairman
347 Russell Senate Office Building ♦ Washington, D.C. 20510

Current growth figures indicate that the economy has already begun to slow down dramatically with January's **real GDP growth** ***registering just a 0.6 percent increase*** while **industrial production** ***actually fell 0.6 percent.***

Rejection of Balanced Budget Legislation Costs America Twice

Having established the record the President did in 1995 — including vetoing the Balanced Budget Act (BBA), and opposing the Balanced Budget constitutional amendment — the prospect of the President's acceptance of fiscal responsibility in 1996 is increasingly unlikely. Currently, because of Congress' spending restraint in the discretionary programs, the deficit savings for FY 1996 are largely on-track to achieve what would have taken place had the BBA been enacted. However, discretionary spending makes up only a fraction of total spending, so that regardless of the amount of Congress' fiscal restraint it will never be able to compensate over the long-term for what the President refuses to do.

Markets Soon to React: As time passes, this divergence between Congress' action and the President's inaction will become more obvious. When this reality is finally accepted by the financial markets, they will divest themselves of the optimism that has fueled their meteoric rise since the Republican victory of November 1994. This could lead to a substantial correction in the financial markets that will further decelerate economic growth.

Foregone Growth a Real Cost: Finally, although the markets have already anticipated the positive benefits of eliminating the federal deficit, they have yet to see any of them. Obviously, if the President continues to refuse to accept a balanced budget, they never will. The fact that they are not realized makes this foregone growth no less a real cost to an economy already laboring. It means, both a continuation of the negative policies that already overburden it and the absence of positive incentives that would help it to grow.

A Hand Up, and a Hand Out? — Not from this White House

In short, President Clinton's policies thus far have led the nation to the brink of recession. What is his response to having led the country into economic quicksand? By refusing to accept the fiscal responsibility of a balanced federal budget like the one passed by Congress, he does it further injury. With one hand he pushes down further the weakening economy as its positive expectations of the last 16 months are denied, and then he refuses to offer it a hand out of the economic morass through the positive economic returns that such a balanced budget would have achieved.

America is paying and will continue to pay a high price indeed for President Clinton's economic policies.

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